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Certified Public Accountants & Consultants

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OGEMAW COUNTY EMERGENCY MEDICAL
SERVICES AUTHORITY
OGEMAW COUNTY, MICHIGAN

AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2008

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AUDITORS' REPORT

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December 15, 2008

Independent Auditors' Report

Members of the Authority Board
Ogemaw County Emergency Medical Services Authority
Ogemaw County, Michigan

We have audited the accompanying financial statements of the business-type activities of the Ogemaw County Emergency Medical Services Authority, Ogemaw County, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the index. These financial statements are the responsibility of the Ogemaw County Emergency Medical Services Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the the business-type activities of the Ogemaw County Emergency Medical Services Authority, Ogemaw County, Michigan, as of September 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Stephenson, Gracik & Co., P.C.

OGEMAW COUNTY E.M.S. AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Ogemaw County Emergency Medical Services Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$1,780,284.
- The Authority's total net assets increased by \$325,499.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Authority as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Authority's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of revenue, expenses and changes in net assets* display information about the Authority as a whole.

The statement of net assets presents the financial condition of the business-type activities of the Authority at year end. The statement of revenue, expenses and changes in net assets presents a comparison between direct expenses and program revenues for the Authority's business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Operating revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as operating revenues are presented as non-operating revenues of the Authority. The comparisons of direct expenses with program revenues identifies the extent to which the EMS program is self-financing or draws from the non-operating revenues of the Authority.

With this report, capital assets are listed for the Ogemaw County Emergency Medical Services Authority. These assets are comprised of machinery and equipment, vehicles, and radio towers owned by the Authority. These assets total \$714,910.

Fund Financial Statements

The Authority uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority operates under one fund which is considered a *Proprietary Fund*.

Proprietary Fund:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Authority's *government-wide* and *fund* financial statements.

Summary of Net Assets:

The following summarizes the net assets of the Ogemaw County Emergency Medical Services Authority:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Current Assets	\$ 1,622,654	\$ 1,353,010
Capital Assets, Net	<u>224,258</u>	<u>147,396</u>
Total Assets	<u>1,846,912</u>	<u>1,500,406</u>
Current Liabilities	61,628	41,106
Long Term Liabilities	<u>5,000</u>	<u>4,515</u>
Total Liabilities	<u>66,628</u>	<u>45,621</u>
Net Assets		
Invested in Capital Assets	224,258	147,396
Unrestricted	<u>1,556,026</u>	<u>1,307,389</u>
Total Net Assets	<u>\$ 1,780,284</u>	<u>\$ 1,454,785</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets of the Ogemaw County Emergency Medical Services Authority:

Generally speaking, the Authority's net assets represent the difference between assets and liabilities.

	<u>Year Ended September 30, 2008</u>	<u>Year Ended September 30, 2007</u>
Operating Revenue:		
User Fees	\$ 1,322,620	\$ 1,114,561
Other Revenue	<u>20,221</u>	<u>20,494</u>
Total Operating Revenue	<u>1,342,841</u>	<u>1,135,055</u>
Nonoperating Revenue:		
Property Taxes	789,211	742,057
Federal Grants	0	10,800
Interest and Investment Earnings	35,325	50,653
Contributions	10,750	0
Gain on Sale of Capital Assets	<u>0</u>	<u>10,571</u>
Total Nonoperating Revenue	<u>835,286</u>	<u>814,081</u>
Total Revenue	<u>2,178,127</u>	<u>1,949,136</u>

Summary of Changes in Net Assets: (Continued)

	<u>Year Ended September 30, 2008</u>	<u>Year Ended September 30, 2007</u>
Operating Expenses:		
Public Safety	<u>\$ 1,852,628</u>	<u>\$ 1,630,103</u>
Change in Net Assets	325,499	319,033
Beginning Net Assets	<u>1,454,785</u>	<u>1,135,752</u>
Ending Net Assets	<u><u>\$ 1,780,284</u></u>	<u><u>\$ 1,454,785</u></u>

Financial Analysis of Authority Fund

As noted earlier in this report, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of the fund information will reveal the strengths and weaknesses of its daily operations.

Proprietary Fund

A proprietary fund is used for financing the governmental functions of the Authority. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The Authority operates under one fund which is considered a major proprietary fund.

Capital Assets

Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

Capital Assets beginning balance was \$609,974 with an ending balance of \$714,910. Total Capital Assets – Net of depreciation was \$224,258. Total additions for the year were \$169,346. An expanded and detailed presentation may be seen in Note 3 of the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The Ogemaw County Emergency Medical Services Authority staff work together to maintain revenue sources and control expenditures. The main sources of revenue are user fees and property taxes.

The major expense for the Authority is salaries and wages.

The Ogemaw County Emergency Medical Services Authority staff will continue to monitor revenues and expenditures to ensure services are provided within the budgets of estimated revenue sources.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ogemaw County Emergency Medical Services Director, 1383 Airport Road, West Branch, Michigan 48661.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

STATEMENT OF NET ASSETS
September 30, 2008

Assets

Current Assets:

Cash and Cash Equivalents (Note 2)	\$ 1,382,212
Receivables:	
Accounts, Net	<u>240,442</u>
Total Current Assets	<u>1,622,654</u>

Noncurrent Assets:

Capital Assets, Net (Note 3)	<u>224,258</u>
Total Assets	<u><u>1,846,912</u></u>

Liabilities

Current Liabilities:

Accounts Payable	9,103
Accrued Liabilities	34,358
Current Portion of Long-Term Liabilities (Note 4)	<u>18,167</u>
Total Current Liabilities	<u>61,628</u>

Long-Term Liabilities:

Due in More Than One Year (Note 4)	<u>5,000</u>
Total Liabilities	<u><u>66,628</u></u>

Net Assets

Invested in Capital Assets	224,258
Unrestricted	<u>1,556,026</u>
Total Net Assets	<u><u>\$ 1,780,284</u></u>

The accompanying notes to financial statements are an integral part of this statement.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2008

Operating Revenue

User Fees	\$ 1,322,620
Other Revenue	20,221
Total Operating Revenue	<u>1,342,841</u>

Operating Expenses

Salaries and Wages	932,354
Payroll Taxes and Employee Benefits	358,492
Administrative Costs	18,000
Bad Debt Expense	105,810
Contractual Services	92,089
Depreciation	92,484
Gasoline and Oil	80,294
Insurance and Bonds	37,487
Operating Supplies	30,219
Professional Fees and Services	4,861
Rent	44,155
Repair and Maintenance	37,766
Travel and Training	8,023
Utilities	5,608
Other	4,986
Total Operating Expenses	<u>1,852,628</u>

Operating Loss	<u>(509,787)</u>
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Nonoperating Revenue

Property Taxes	789,211
Interest and Investment Earnings	35,325
Contributions	10,750
Total Nonoperating Revenue	<u>835,286</u>

Change in Net Assets	325,499
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Net Assets - Beginning of Year	<u>1,454,785</u>
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Net Assets - End of Year	<u>\$ 1,780,284</u>
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The accompanying notes to financial statements are an integral part of this statement.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2008

Cash Flows From Operating Activities

Receipts From Customers	\$ 1,203,513
Payments to Suppliers for Goods and Services	(365,382)
Payments to Employees for Services	<u>(1,259,895)</u>
Net Cash Used by Operating Activities	<u>(421,764)</u>

Cash Flows From Non-Capital Financing Activities

Property Taxes Received	789,211
Contributions Received	<u>2,700</u>
Net Cash Provided by Non-Capital Financing Activities	791,911

Cash Flows From Capital and Related Financing Activities

Acquisition and Construction of Capital Assets	(169,346)
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Cash Flows From Investing Activities

Interest on Investments	<u>35,325</u>
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Net Increase in Cash and Cash Equivalents 236,126

Cash and Cash Equivalents at Beginning of Year (Note 1) 1,146,086

Cash and Cash Equivalents at End of Year (Note 1) \$ 1,382,212

Reconciliation of Operating Loss to Net Cash Used by Operating Activities

Operating Loss	\$ (509,787)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
In-kind service included in expenses	8,050
Depreciation Expense	92,484
Change in Assets and Liabilities:	
Accounts Receivable, net	(33,518)
Accounts Payable and Accrued Liabilities	2,355
Compensated Absences Payable	<u>18,652</u>

Net Cash Used by Operating Activities \$ (421,764)

Supplemental Disclosures:

Noncash Operating Activities

The Authority recorded nonncash activity in the form of in-kind revenue and expense in the amount of \$8,050 for start-up fees waived by the new billing company, due to issues with implementing the new billing system.

The accompanying notes to financial statements are an integral part of this statement.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ogemaw County Emergency Medical Services Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies:

A. Description of Authority Operations and Fund Types

The Ogemaw County Emergency Medical Services Authority, (the Authority), is a joint area Board formed on July 1, 2006, serving 17 governmental units – Ogemaw County, City of West Branch, City of Rose City, Mills Township, Richland Township, Rose Township, West Branch Township, Churchill Township, Cummings Township, Horton Township, Edwards Township, Foster Township, Klacking Township, Goodar Township, Hill Township, Logan Township and Ogemaw Township.

The Board consists of five members including an executive from Ogemaw County, City of West Branch, City of Rose City and Mills Township, and one member selected in rotation from the 13 Townships not otherwise represented on the Board. The members of the Board are appointed by their respective municipality for terms of six years.

B. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The Authority's Enterprise Fund reports operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

C. Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. Government wide financial statements report information about the Ogemaw County Emergency Medical Services Authority as a whole. The Authority has only one fund which is business-type in nature, so the financial statements present one set of statements that meets both the government-wide and fund requirements.

A statement of net assets provides information about the assets, liabilities, and net assets of the Authority at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy Authority obligations. Invested in capital assets represents the value of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operation purposes.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

A statement of revenue, expenses and changes in net assets provides information about the Authority's financial activities during the year ended September 30, 2008. Revenue and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions. Operating revenues and expenses generally result from providing emergency medical services. Other revenues, such as property taxes, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost sales and services, administrative expenses, and depreciation on capital assets.

A statement of cash flows provides information about the Authority's sources and uses of cash and cash equivalents during the year ended September 30, 2008. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

D. Measurement Focus

The term measurement focus is used to denote what is being measured and reported in the Authority's operating statement. The Authority is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Authority is better off or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Authority's operating statement. The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

F. Receivables

Receivables generally consist of accounts (fees). All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility.

The balances consisted primarily of EMS receivables due from various insurance companies.

The allowance for doubtful accounts at September 30, 2008 was \$59,500.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the assets.

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The Authority eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses therefrom are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Machinery and Equipment	3 - 10 years
Vehicles	5 - 15 years
Infrastructure	10 - 50 years

H. Compensated Absences

The Authority reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation and sick leave benefits are accrued as a liability using the vesting method. An accrual for earned vacation and sick leave is made based on accumulated vacation and sick leave and the employee wage rates at year end taking into consideration limits specified in the Authority's termination policy.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Authority, these revenues are charges for services for EMS runs. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended September 30, 2008.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	\$ <u>1,382,212</u>
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The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts)	\$ 1,382,187
Petty Cash and Cash on Hand	<u>25</u>
Total	\$ <u>1,382,212</u>

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of September 30, 2008, \$1,236,480 of the Authority's bank balance of \$1,436,480 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

Investments

The Authority Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Authority to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

λ Banker's acceptances of United States banks

- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Authority's deposits and investments are in accordance with statutory authority.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital asset activity follows:

	Balance 10/01/07	Additions	Deletions	Balance 09/30/08
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 158,350	\$ 3,823	\$ 0	\$ 162,173
Vehicles	390,774	165,523	(64,410)	491,887
Infrastructure	60,850	0	0	60,850
Subtotal	<u>609,974</u>	<u>169,346</u>	<u>(64,410)</u>	<u>714,910</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(125,701)	(15,980)	0	(141,681)
Vehicles	(292,652)	(74,604)	64,410	(302,846)
Infrastructure	(44,225)	(1,900)	0	(46,125)
Subtotal	<u>(462,578)</u>	<u>(92,484)</u>	<u>64,410</u>	<u>(490,652)</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 147,396</u>	<u>\$ 76,862</u>	<u>\$ 0</u>	<u>\$ 224,258</u>

NOTE 4 - LONG-TERM LIABILITIES

A. Compensated Absences Payable

The Authority has an accrued liability for accumulated vested vacation and sick leave benefits of its employees. As of September 30, 2008, the accumulated vested vacation and sick leave benefits of the employees of various Authority departments were as follows:

	Current Liability 09/30/08	Long-Term Liability 09/30/08	Total Balance 09/30/08
<u>Accrued Employee Benefits Payable</u>			
Business-Type Activities	<u>\$ 18,167</u>	<u>\$ 5,000</u>	<u>\$ 23,167</u>

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

B. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Authority for the year ended September 30, 2008:

	<u>Balance</u> <u>10/01/07</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/08</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Compensated Absences	\$ <u>4,515</u>	\$ <u>18,652</u>	* \$ <u>0</u>	\$ <u>23,167</u>	\$ <u>18,167</u>

*Represents net of additions and retirements for the year.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the County. Property taxes become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. The cities and townships within the County bill and collect the property taxes for the Ogemaw County EMS Authority. County EMS taxes levied December 1, 2007, are collected in and are intended to finance 2008 operations. The taxable value of real and personal property for the December 1, 2007 levy was \$794,770,158. The 2007 operating tax rate is currently .9863 mills for EMS.

NOTE 6 - OPERATING LEASE

The EMS Authority has two leases for facilities located in Ogemaw County under noncancelable operating leases. The lease terms run through December 31, 2009.

The future minimum lease payments are as follows:

2009	\$ 9,330
2010	<u>1,760</u>
	\$ <u>11,090</u>

Total lease payments in the current year were \$15,600.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED

Plan Description

The Authority's defined benefit pension plan, covering its employees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

The Authority is required to contribute at an actuarially determined rate. The current rate is 12.32% of annual covered payroll for the Director and 12.10% for Ambulance Driver Members. The contribution requirements of plan members are 5.5% for the Director and 4% for Ambulance Members. If a member leaves the employ of the Authority, or dies, without a retirement allowance or other benefit payable on his/her account, the members' accumulated contributions (with interest) are refunded with spousal consent to the member, if living, or to the members' surviving spouse or beneficiary. The contribution requirements are established and may be amended by the MERS Retirement Board.

Annual Pension Cost

For the year ended September 30, 2008, the Authority's annual pension cost of \$85,789 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007 included (a) 8% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, and (c) additional projected salary increases of 0% to 8.4% per year, depending on age, attributable to merit, longevity and promotions. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007 was 28 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2007	\$ 79,207	100 %	\$ 0
September 30, 2008	\$ 85,789	100 %	\$ 0

Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the plan was 88.5% funded. The actuarial accrued liability for benefits was \$1,339,020 and the actuarial value of assets was \$1,186,156, resulting in an unfunded actuarial accrued liability (UAAL) of \$152,864. The covered payroll (annual payroll of active employees covered by the plan) was \$597,093, and the ratio of the UAAL to the covered payroll was 26%.

OGEMAW COUNTY EMERGENCY MEDICAL SERVICES AUTHORITY
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a) / c)</u>
2006	\$ 956,512	\$ 1,198,964	\$ 242,452	80 %	\$ 534,659	45 %
2007	\$ 1,186,156	\$ 1,339,020	\$ 152,864	89 %	\$ 597,093	26 %

NOTE 8 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters, as well as medical benefits provided to employees. The Authority has purchased commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

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Gerald D. Gracik Jr., CPA
James J. Gracik, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA

Herman A. Bertuleit

December 15, 2008

Management and the Board of Directors
Ogemaw County Emergency Medical Services Authority
Ogemaw County, Michigan

We have conducted the audit of the financial statements of the business-type activities of the Ogemaw County Emergency Medical Services Authority as of and for the year ended September 30, 2008 and have issued our report dated December 15, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditor's Communication of Significant Matters with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel in the Authority during the audit and met with management on December 15, 2008. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, others within the Authority and the Michigan Department of Treasury and are not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Stephenson, Gracik & Co., P.C.

APPENDIX 1

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Responsibilities Under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 8, 2008, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated September 30, 2008.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the Authority during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected. The most sensitive estimate effecting the financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Difficulties Encountered During the Audit

We encountered no difficulties during the audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. A summary of unadjusted audit differences was provided to management on December 15, 2008.

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditor's report. We had no disagreements with management during the audit.

APPENDIX 1
COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of Ogemaw County Emergency Medical Services Authority as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Ogemaw County Emergency Medical Services Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ogemaw County Emergency Medical Services Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ogemaw County Emergency Medical Services Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We identified no deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

We have noted one item we feel could improve your internal controls or operating efficiencies. This item is not considered a significant deficiency or material weakness but is presented for your consideration.

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of Ogemaw County Emergency Medical Services Authority's financial statements. However, if at any point in the audit we as auditors are part of the Authority's control system for producing reliable financial statements, auditing standards indicate that the Authority has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. We believe that management is capable of preparing the financial statements portion of the report; however, we recommend that management look into purchasing the 2005 Governmental Accounting, Auditing and Financial Reporting – Using the GASB 34 Model (commonly known as the "Blue Book"), to help train and assist management with the disclosures required for the financial statements. This guide is offered through the Government Finance Officers Association website at www.gfoa.org.

APPENDIX II
MANAGEMENT COMMENTS

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation			X	